

NEW YORK MEDICAL COLLEGE
AUDIT COMMITTEE CHARTER

Date: 09/29/2014

Supersedes: *Audit Committee Charter, dated July 3, 2013*

I. PURPOSE

In accordance with the *Bylaws of New York Medical College* (“Bylaws”), the Audit Committee is appointed by the Board of Trustees (“Board”) of New York Medical College (“College”) to assist the Board in fulfilling its oversight responsibilities for the accounting and financial reporting processes and audits of the financial statements of the College, by monitoring (1) the financial reporting process of the College, (2) the independence and qualifications of its independent public accountants (“external auditor”), (3) the College’s system of internal accounting controls, (4) the internal audit process, and (5) the effectiveness of the College’s institutional compliance program and compliance with laws and regulations.

II. MISSION AND AUTHORITY

Section 8 of Article VI, STANDING COMMITTEES of the Bylaws provides as follows:

“The Audit Committee shall oversee the Corporation's system of internal accounting controls; review the work of the internal audit department and the reports produced thereby or summaries thereof and responses thereto; make recommendations on the selection of the College's independent financial auditors; review the annual independent audit plan; review the annual reports of the independent auditors and the results of the independent audits; recommend and monitor compliance with institutional codes of conduct and conflicts of interest policies; review institutional compliance with governmental laws and regulations; assess the performance of the Corporation's financial management; and conduct such inquiries into the financial and accounting systems, policies and operations of the Corporation as the Audit Committee may deem appropriate; and conduct inquiries into such other matters as may be requested by the Board of Trustees or the Executive Committee.”

III. COMMITTEE MEMBERSHIP

The members of the Audit Committee shall be appointed by the Board and shall consist of not less than three or more “independent trustees” as defined by *The New York Not-for-Profit Law*. *The New York Non-Profit Revitalization Act of 2013* defines "independent trustee" as a trustee who (i) is not, and has not been within the last three years, an employee of the nonprofit corporation or an affiliate thereof, and does not have a relative who is, or who has been within the last three years, a key employee of the nonprofit corporation or an affiliate thereof; (ii) has not received, and does not have a relative who has received, in any of the last three fiscal years, more than \$10,000 in direct compensation from the nonprofit corporation or an affiliate thereof (other than reimbursement for expenses reasonably incurred as a trustee or reasonable

compensation for service as a trustee); and (iii) is not a current employee or does not have a substantial financial interest in, and does not have a relative who is a current officer of or has a substantial financial interest in, any entity that has made payments (other than charitable contributions) to, or received payments (other than charitable contributions) from the nonprofit corporation or an affiliate thereof, for property or services in an amount that exceeds the lesser of \$25,000 or 2% of such entity's consolidated gross revenue in any of the last three fiscal years.

The following shall have the meanings herein:

1. "Relative" shall mean a person in one of the following relationships with a Trustee: spouse, domestic partner, or person in a civil union or similar relationship; minor child or stepchild; child or stepchild sharing a home with the Trustee; a grandchild; parent; or a brother or sister (whether by whole or half-blood);
2. "Key Employee" is a person who at any time during the preceding 5-year period was in a position to exercise substantial influence over the affairs of the College or a relative of such a person; and,
3. "Affiliate" is an entity controlled by, in control of, or under common control with the College, including but not limited to the Touro College and University System.

No member of the Audit Committee shall be an officer or employee of the College and the Chairman of the Board of Trustees shall not serve on the Audit Committee. The Chairman of the Audit Committee shall be an independent trustee and appointed by the Board. Given the scope of its responsibilities, it is desirable that members of the Audit Committee meet the following requirements:

- Acumen in business functions and management skills;
- Understanding of internal control and risk management;
- Knowledge of information systems and emerging technology; and
- Competency in financial and operational reporting.

Members of the Audit Committee will, at all times in the discharge of their duties and responsibilities exercise honesty, objectivity, and probity and not engage knowingly in acts or activities that have the potential to bring discredit to the College. Members also must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act in a proper and prudent manner in the use of information acquired in the course of their duties. Members must not use College information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare, goodwill or reputation of the College.

IV. RESPONSIBILITIES

The Audit Committee has authority to conduct or authorize examinations into any matters within its scope of responsibility. The Audit Committee's specific responsibilities include, but are not limited to, the following:

Internal Controls

- Ensure that appropriate accounting policies and internal control systems, including information technology security and controls are established and implemented and that the College issues financial statements and reports in a timely manner in accordance with applicable regulatory and contractual obligations;

External Audits

- Recommend to the Board the selection and retention of the external auditors for the College, including fees;
- Review the performance of the external auditors and recommend the appointment or discharge of the external auditors;
- Recommend to the Board, when the Audit Committee deems it advisable, that the external auditors engage in specific studies and provide reports regarding auditing matters, accounting procedures and other matters;
- Review and approve the scope of the annual external audits;
- Reviews and confirms external auditor's assertion of their independence in accordance with professional standards;
- Review and approve any engagement of the external auditors for non-audit related consulting services;
- Review with management and the external auditors the results of the audit, including any difficulties encountered in the course of the audit work, any restrictions on the scope of activities or access to requested information and any significant disagreements with management;
- Review with management and the external auditors all matters required to be communicated to the Audit Committee under generally accepted auditing standards;
- Ensure that external auditors keep the Audit Committee informed about fraud, illegal acts, deficiencies in internal control, and other audit-related matters

Financial Statements

- Review the annual financial statements, including any adjustments to those statements recommended by the external auditors, any significant accounting and financial reporting issues that arise in connection with the preparation of those financial statements, and recent professional, accounting and regulatory pronouncements and initiatives, and their impact on the College's financial statements;
- In consultation with the external auditors, recommend to management inclusion of financial disclosures in audited financial statements;
- Review the College's IRS Form 990 and all of its disclosures prior to filing and recommend filing to the Board, especially those regarding executive compensation, fees paid to vendors,

activities unrelated to the institution's exempt purpose and transactions with related entities as well as recommend appropriate policies and procedures pursuant to Form 990;

- Review, as appropriate and in consultation with the external auditors, accounting policies and procedures applicable to the College, as well as any management responses to comments relating to those policies and procedures;

Internal Audit

- Evaluate and monitor the College's internal audit process in accordance with the *Internal Audit Policy and Procedures*, and as such policy may be amended;
- Approve the work plan of the internal audit function and receive and act upon reports presented by the Director of Internal Audit;
- Ensure that internal auditor keeps the Audit Committee informed about fraud, illegal acts, deficiencies in internal control, and other audit-related matters;

Compliance

- Review and oversee the College's institutional compliance program, including compliance with the College's *Code of Conduct and Policy on Conflicts of Interest and Commitment*, and as such policy may be amended, and with compliance with laws and regulations;
- Receive regular updates from management and the Institutional Compliance Officer and Vice President and General Counsel regarding significant changes in compliance and legal matters;

Risk Assessment and Management

- Following consultation with management, review significant risks and exposures and the plans to minimize them;
- Request and/or receive investigations of potential improprieties in College operations, in consultation and coordination with the Institutional Compliance Officer, Compliance Director, the Office of General Counsel and, as applicable, the Director of Internal Audit;

Other Responsibilities

- Meet at least annually with the President, the Chancellor for Health Affairs/Chief Executive Officer, Senior Vice President for Finance/Chief Financial Officer and the Vice President and General Counsel, together with the external auditors, to discuss any issues arising from the Audit Committee's responsibilities;
- Meet at least annually with the external auditors (outside the presence of management) to discuss any issues arising from the annual reports of the external auditors, the results of such audits or the Audit Committee's responsibilities;
- Meet at least annually with the Institutional Compliance Officer (outside the presence of management) to discuss any issues arising from the Audit Committee's responsibilities;
- Meet at least annually with the Director of Internal Audit (outside the presence of management) to discuss any issues arising from the Audit Committee's responsibilities;
- Receive from management and external advisors reports relating to accounting, tax, regulatory, government and other business matters;

- Resolve all conflicts and potential conflicts of interest disclosed by Trustees in the annual questionnaires pursuant to the *Board of Trustees Policy on Conflicts of Interest*, and as such policy may be amended, which are referred to it by the President, subject to review by the Board or the Executive Committee of the Board when they deem it necessary or appropriate;
- Regularly report to the Board of Trustees on its activities, issues and related recommendations;
- Review and assess annually the Committee's own performance and the adequacy of this Charter, and recommend Board approval for proposed changes;
- Provide the following communications to the Touro Audit Committee of the Touro College and University System ("Touro Audit Committee"): (1) Copies of its agendas following Audit Committee meetings; (2) Reports by the Chairman of the Audit Committee, prior to the respective Touro Audit Committee meetings, regarding the results of the annual NYMC audits and financial statements; and (3) any additional information regarding its accounting policies and internal control systems from the NYMC Audit Committee upon written request.
- Perform other activities related to this Charter or as may be assigned to it, from time to time, by or on behalf of the Board or the Executive Committee of the Board;

Approved by the Audit Committee of the Board of Trustees on July 17, 2013 and October 26, 2014

Approved by the Board of Trustees on October 2, 2013 and December 17, 2014.